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SUBJECT: ALBANIA COULD LOSE OVERFLIGHT FEES

11. (SBU) According to General Electric, a Belgian court has awarded GE some portion of overflight fees Eurocontrol pays to Albania for providing air traffic control for high altitude flights crossing Albanian airspace. Albania receives roughly USD 20 million per year in overflight fees.

12. (SBU) In 2005, newly-elected PM Berisha decided that a USD 90 million contract his predecessor signed with GE for a light rail system between Tirana, Durrës, and the airport was illegal and cancelled the contract. GE sought remedy under their contract through binding arbitration and was awarded a 14 million euro judgment last summer. GE executives tried repeatedly to negotiate a win-win solution. Last September, a GE vice president met with Berisha to discuss a proposal which could have meant future business for GE while reducing the GOA's liability, all to no avail. Finally, in December 2008, GE informed the GOA that it was taking additional steps to collect, including domesticating the award in the U.S.

13. (SBU) GE has not disclosed details of the award, but this will put further pressure on the GOA's budget problems. With revenues down due to global economic weakness, an unexpected loss of revenue will hurt. The GOA will have to continue providing air traffic services and making payments on a USD 30 million loan to Ex-Im Bank and PNB Paribas. Depending on the judgment, some fraction, or possibly all of the overflight fees will be diverted to GE. Additionally, Eurocontrol policy requires profits to be reinvested in infrastructure improvements or the country must reduce overflight fees it charges the airlines the following year. This could cost the GOA another ten million euro in lost revenues next year above and beyond the GE award.

WITHERS